PACIFIC NATIONAL EXHIBITION
PERFORMANCE PLAN
April / 2001

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CORPORATE PROFILE

The Pacific National Exhibition, British Columbia's premier entertainment and event location, generates approximately $150 million in direct and indirect economic spin-off yearly, employs 4,000 people of whom 2,600 are youth, requires no annual funding from provincial or municipal tax revenue and offers a unique jewel to the provincial tourism crown.

Fair

Across the province the name "PNE" has come to signal the start of a great end-of summer family event. Founded in 1907 as the Vancouver Exhibition Association, the first annual Fair was held in 1910. A true British Columbian tradition, the ninety-year old Fair has attracted more than 60 million visitors since it began. In 2000, the Fair itself generated nearly $20 million dollars in revenue to the Corporation.

However, the Pacific National Exhibition is much more than a Fair! Over the past number of years, to address financial requirements and to maximize related opportunities associated with operating a Fair on the 114-acre Hastings Park site, two other major business units have been developed: Playland, and Facility Sales and Events.

Playland

With over 9 acres of the site dedicated to Playland, it offers 28 electrifying rides, dazzling entertainment and unique special events. Open from Easter Weekend through Thanksgiving Day (full time from the third week of June), Playland employs 40 full time personnel and as many as 800 seasonal staff. Revenues of approximately $6.6 million are realized during its operating season, based on attendance figures of approximately 286,000 visitors.

Facility Sales and Events

The Pacific National Exhibition's versatile venues appeal to Vancouver's growing business, cultural, religious and sporting communities. Numerous events are booked, hosted, produced and promoted at the site annually. In 2000, there were over 1,400 event days taking place including: trade and consumer shows, conventions, concerts, meetings, seminars, rallies, banquets, film studio and commercial shoots, agricultural shows and

sporting events. In total, these events will contribute approximately $4.5 million in revenue to the Corporation.

Since the departure of the Pacific Coliseum's primary tenant, the Vancouver Canucks, the PNE has attempted to develop and enhance gross revenues of approximately $30 million. In 1996, the subsequent year to the departure of the Vancouver Canucks to their own facility downtown, the Corporation exceeded $30,000,000. For fiscal 2001, gross revenues of $33,898,268 are projected.

VISION

The vision of the new Pacific National Exhibition involves continuing to build on our current business streams, which are the Fair, Playland and year round Facility Sales and Events. We see this evolving into a world-class year round family entertainment and event destination, which includes a regional amusement park, the Fair, and a new trade and consumer show facility. The regional amusement park will be the only one of its kind in the Pacific Northwest to also have an annual Fair and will be themed to fit the appropriate site and location. It is our intention to embrace all markets that describe family entertainment.

MISSION

We will enhance the Pacific National Exhibition's tradition of providing fun filled memories for every guest by developing a world-class entertainment themed amusement destination.

VALUES

These core corporate values guide our behaviour when interacting with external individuals and internal personnel.

1. Guest service and satisfaction are the reasons we are in business.
2. We provide the best entertainment value for our guests in a clean, safe and fun environment.
3. We build on our history and tradition while creating our future.
4. We treat all individuals with honesty, fairness, dignity and respect.
5. We are flexible, innovative, creative and proactive.
6. We are committed to the growth and profitability of the organization.
7. We work together and support each other to achieve corporate and individual potential.
8. We are results driven, externally focused and continuously improving.
9. We act as a socially and environmentally responsible corporate citizen.

GOALS & STRATEGIES

The following strengths form the foundation upon which we will build our new vision, achieve our mission and maximize existing business outcomes:

- A loyal guest base resulting from a reservoir of many fond and fun-filled memories acquired through the tradition of a near-century old Fair.

- A unique blend of a premier national Fair, a family amusement park, and a varied and versatile assortment of facilities available to entertainment, agricultural, corporate, religious and other community groups.

- Diverse employee knowledge and expertise that crosses over the variety of activities, programs and facilities contained within the three business units.

- A proven track record of change management skills that has enabled the Pacific National Exhibition to survive and grow through numerous and emergent challenges.

- A self-sufficient and entrepreneurial spirit that has enabled the Corporation to grow without annual government subsidization.

Detailed strategies and business plans will guide us as we achieve each of our strategic objectives. Strategies build upon existing strength; identify required changes to enabling documentation and business processes and rollout action for related goals. The recent three-year, instead of the traditional short-term, operating agreement renewal better equips us to meet existing challenges and achieve available opportunities.

ENVIRONMENTAL ASSESSMENT

The following primary factors are impacting corporate performance. Addressing these factors, over the planning period, will influence the Pacific National Exhibition's ability to survive as currently constituted.

COMMERCIAL VIABILITY

The PNE is a Crown Corporation guided by the Pacific National Exhibition Act. This structure provides both opportunities and challenges to an organization that must operate in a competitive environment. For example the Objects of the Corporation, as defined in the Act, provide it ample scope to encourage and promote many valuable public policy objectives, "except profit". The broad scope has permitted the Pacific National Exhibition to survive and adapt to emergent challenges over many years.

However, the current challenges of "shrinking footprint", "aging infrastructure", "public uncertainty" and "growing competition" requires that the Corporation is able to make commercially viable decisions or cease to exist, as currently constituted. The status quo is not an option unless the public is prepared to have government subsidize existing operations and capital development through tax dollars.

SHRINKING FOOTPRINT

The linkage between the Fair, Playland and Facility Sales and Events is not only a good idea and remarkable future opportunity; it has become critical to economic survival.

Since the Pacific National Exhibition operates as an independent not-for-profit organization – it does not receive annual tax dollar subsidization – it must be able to compete in the marketplace. The Fair alone cannot survive in the marketplace. Consequently, revenue derived from all three-business units combined is essential to the Corporation's survival and growth.

Over the recent past, the Vancouver Park Board, with some support from local citizens and the City of Vancouver, has been reclaiming green space from the Hastings Park site. This phenomenon, referred to as the "shrinking footprint" is increasingly threatening the Corporation's ability to remain competitive in the marketplace at its current site location.

Restoration of the current site by the Park Board commenced in 1998. Since restoration began, five major buildings have been demolished, and a 12-acre sanctuary in centre grounds was reclaimed. A further twenty acres of park restoration is planned for 2001 and ten acres for 2002. This will cause a decrease in parking space and introduce other challenges that could lead to a further loss of $500,000 from the bottom line. By December 31, 2002, when the current operating agreement between the Pacific National Exhibition and the City of Vancouver expires, 58 acres will have been restored to green

space, making it virtually impossible to continue business at Hastings Park without some form of subsidy.

AGING INFRASTRUCTURE

Most of the current Pacific National Exhibition infrastructure was built between 1940 to 1970. The infrastructure mixture, at one time, resulted in a flexible assortment of facilities that provided a competitive advantage over external competitors.

For many years repairs and maintenance kept pace with normal wear and tear. However, three prime factors have led to a decline of capital development revenues: a) maintaining an affordable family entertainment option in the community, b) escalating operating costs and, c) short-term extensions to the operating agreement.

The result is that the Pacific National Exhibition is left with an infrastructure designed for the past that cannot generate enough income given current competition. The infrastructure mixture, which was once a competitive advantage, is now becoming a competitive disadvantage.

PUBLIC UNCERTAINTY

For a number of years the Pacific National Exhibition has been faced with a controversy regarding its survival and growth. Vocal community residents have argued successfully for the desirability of more park and green space in the neighbourhood. While this has contributed to the shrinking footprint, it has also led to considerable public uncertainty about the future.

In the most recent past, the uncertainty has been compounded by a number of short-term extensions, which have been accompanied by considerable media attention and speculation suggesting that the Pacific National Exhibition may close. The impact of this on a confused public is twofold: a) an attitude, since the Corporation has continued on a year by year basis, that we have heard this before; and b) concern that something is wrong and the Pacific National Exhibition may not survive.

The net impact of the public uncertainty is that increasingly the Corporation is faced with many inquiries about its ability to survive. This in turn negatively affects commercial viability amongst the public and its many corporate and other clients.

COMPETITION

The Pacific National Exhibition is a unique corporate entity. The combination of a century old Fair, an amusement park and diverse and varied facilities results in a unique commercial opportunity. Taken together, there is nothing like it in the Northwest.

However, taken separately, there has been established growth in its facility sales and events business competition over the past decade. New facilities provide co-production and advertising dollars not available to the PNE, which further erode our competitive position.

To remain competitive within facility sales and events, given aging infrastructure and lack of co-production or advertising funds, secondary markets must be identified and targeted for further business development.

CORPORATE STRATEGIC OBJECTIVES

To respond to these challenges, the Pacific National Exhibition has developed a vision of the infrastructure and site it requires to enhance its tradition of providing fun filled memories for every guest and develop a world-class entertainment themed amusement destination.

Achieving this vision requires that strategic objectives be met over the next three years. These are:

- **Acquiring Support For The New Pacific National Exhibition Vision**

The City of Vancouver and the Province of British Columbia signed a PNE accord in May 1994. A key element of the accord and subsequent extensions was that the Pacific National Exhibition would continue to operate while it searched for a suitable location. Moving the Corporation and implementing a new vision, consistent with future needs, entails a myriad of details and decisions that require support from the Provincial Government and ultimately the general public. Under terms of the current three-year operating agreement, plans must be finalized and support secured by December 31, 2002.

- **Complex Development Plan Implemented**

Transforming the current Pacific National Exhibition mix into a new world-class entertainment themed amusement destination is a substantial business development project. The project will unfold in three distinct phases. Phase 1 will focus on development issues. Phase 2 will analyze key specific components of the project and the preliminary development program. Phase 3 will focus back on overall development for the total project. Integral to all three phases is making the business case that risks associated with the project can be mitigated and are justified given anticipated financial returns.

- **Maximize Current Business Unit Configuration Outcomes At Hastings Park**

Achieving our new vision requires that we ensure the ongoing business success of the Fair, Playland and Facility Sales & Events on our current site. To do otherwise would convey a negative message about the potential of the Corporation. Accordingly, we will introduce improvements in our operating procedures, communication and marketing strategies, and current program and service offerings to maximize attendance within the shrinking footprint and grow per capita income.

1. Acquiring Support For The New Pacific National Exhibition Vision

The May 1994 accord, signed by the Province of British Columbia and the City of Vancouver, led to the formation of a Relocation Committee, supported by an Advisory Committee, to oversee the relocation process. A Request for Expressions of Interest for the Supply of Land and/or Compatible Activities was issued and resulted in receipt of 20 submissions. From these submissions, the Relocation Committee identified four preliminary options:

- **Major Tourist Destination/Entertainment Centre For the Greater Vancouver Area.**
  This option would provide for major activities such as a theme park, film studio, outdoor Amphitheatre, the Fair, demonstration farm, etc. This would create year round jobs, as well as economic spin-off into the community.

- **An Agricultural Fair On A New Site.**
  This would accommodate all the agricultural fairs (8) in the Fraser Valley. Many of the fairs are experiencing financial difficulty and are largely subsidized by their municipalities.

- **Enhancement Of An Existing Fair**
  This option would allow for the continuity of the Fair through the enhancement of an existing fair, i.e. Cloverdale, Abbotsford, Chilliwack or Maple Ridge. This would eliminate year round employment, and would require capital expenditure to improve existing facilities.

- **Shutdown**
  This option would see the Corporation cease operations by December 31, 2002.

The four options were extensively researched and reviewed. The review led to a substantial number of submissions to the Provincial Government. In turn, Cabinet approved funds to pursue relocation and authorized the Relocation Committee and other government created committees to proceed with negotiations.

In time, it was concluded that a modified option #1 offered the best opportunity for success. The decision was made to pursue exploration of advancing a world-class entertainment themed amusement destination at a new site chosen from a number of Lower Mainland locations; or, shutdown.

The Pacific National Exhibition has three goals in order for us to acquire public support to develop a world-class entertainment themed amusement destination. The corporation must complete a performance plan annually that can be shared with the public and inform it on progress towards our vision. We must also submit a new Treasury Board

submission outlining pros, cons, costs and required decisions regarding current options. Finally, the Pacific National Exhibition must engage in public meeting processes required by the appropriate municipality, should the decision to grow a world-class entertainment themed amusement destination be approved.

2. Complex Development Plan Implemented

Since 1994, while we have attended to requirements associated with securing support for our vision, we have also completed numerous tasks associated with the architectural, program, financial and logistical complexity of this project. A summarized list of tasks completed to date include:

- Requests for expressions of interests to municipalities, districts and potential operators completed and responses analyzed.
- Program and facility options researched.
- Theme park operators throughout North America contacted and engaged in discussions.
- Meetings held with the Agricultural Land Commission to discuss viability of various options.
- Treasury Board submission made in 1995 resulting in approval of relocation funds and authorization to proceed with related research and consultations.
- Meetings held with municipalities where potential relocation sites were identified.
- Independent consultants retained to help with identified tasks e.g. Ernst & Young, Investment Capital, RPA Group.
- Outdoor amphitheater operators throughout North America contacted and engaged in discussions.
- Related Ministries engaged and consulted e.g. Tourism, Agriculture, Small Business.

These past activities, over the last 6 years, have resulted in substantial intelligence and documentation. The current need is to build on this information and rollout next steps in the project.

Our goals to transform the current Pacific National Exhibition mix into a new world-class entertainment themed amusement destination are grouped in three distinct phases. The initial step would be to complete all technical requirements associated with the preliminary development program. The corporation would also need to complete a thorough analysis of the specific components of the new vision that taken together will ensure that our mission is achieved. Finally, the Pacific National Exhibition would refine and complete the Master Plan.

A) Preliminary Development Program

Subsequent work on the preliminary development program entails attention to the following:

- Review organizational structure – who operates individual components, who receives revenue streams from components; who finances components.

- Initial fairgrounds master planning issues – assist planning teams with concept planning; review project components in terms of preliminary economic parameters; screen potential project components for compatibility and economic contribution; identify preliminary development program including potential components.

- Evaluate sites – review and evaluate potential site locations in terms of physical characteristics, accessibility, visibility, suitability for development, and other related issues; and recommend a site.

- Overall market analysis – define potential markets for development at potential sites including size of markets, growth factors, income and demographic characteristics of resident markets, seasonality and other tourist market characteristics.

B) Individual Component Analysis

The new vision is an amalgam of proposed individual components. Each component needs to be researched in the context of the final matrix of offerings. Subsequent work entails the following analysis:

- Annual fair – including attendance potential, physical planning and economic performance projections.

- Trade and consumer show facilities – including types of events, estimated event days, and potential economic performance indicators.

- Specific venues – such as amphitheatre, 5,000 seat performance venue, or indoor arena facility.

- Amusement park – potential for an amusement park on the grounds including attendance projections, physical planning parameters and operating financial performance.

- Film studio – review potential viability of constructing a film studio on site.

- Indy car racecourse – review potential for Indy car race including planning factors and land/rent concession revenue potential.

- Mixed use development potential – consider specific real estate development opportunities such as hotel, entertainment/retail development, and others in terms of market potential and potential land value contribution.

C) Master Plan

Once preliminary work is completed and individual components analyzed, it will be possible to refine a Master Plan and more accurately project financial models. Subsequent work entails:

- Refine master plan – based on detailed analysis of specific components taken separately and together and site uses focus on refining the master plan.

- Financial model – prepare an overall economic model for the development program including individual project components and aggregated project wide program, review alternative financial structures and development strategies; and evaluate return on investment potential.

3. Maximize Current Business Unit Configuration Outcomes At Hastings Park

Ongoing business success of the Fair, Playland and Facility Sales and Events at Hastings Park is essential to both short-term and long-term success. Our goals to maximize and broaden attendance within the shrinking footprint while growing per capita income are: to increase the public's perceived value of attractions, programs and services provided in relation to the amount of fees paid; increase the public's knowledge of what the Pacific National Exhibition has to offer; broaden attendance and increase length of stay and decrease reasons for leaving Hastings Park; increase merchandising; and to maximize the number of event days booked in existing facilities

We operate in a highly competitive environment. Thus, our desire for transparency through the detailed identification of commercial goals and strategies is restrained to avoid providing data advantageous to our competition.

The strategic objective to maximize attendance within the shrinking footprint and grow per capita income is best met by strategies that collectively achieve the following:

A) Increased Value

In the past, we have addressed this question by actually lowering the price of admission to various venues while maintaining or improving quality thereby increasing perceived value for our guests. In the future, we must contend with the challenge of not only

maintaining perceived value, but also increasing perceived value while the space we have to work with shrinks. Related strategies include upgrading and revitalizing existing attractions, adding new attractions, enhancing product quality, and adjusting guest fees and costs in relation to competitive requirements.

B) Increased public knowledge of Pacific National Exhibition offerings

We need to challenge and broaden the public's understanding of what we have to offer through our combined business units. A popular misconception is that except for the Fair each year, we have little to do or offer to the public. In fact, Playland and Facility Sales and Events offer an abundance of programs, services and venues for many individuals, families, businesses and community groups. Related strategies include considering brand identity development, and improving marketing and communication to both the general public and specific niche markets that we have been cultivating.

C) Increased length of stay

Once our guests have made the decision to attend at our site, it is incumbent upon us to offer a full range of programs and services that meet their needs and encourage them to extend their visit with us. Related strategies include scheduling key events at various times during the day and evening that appeal to different guest categories and increasing brand offerings that mitigate the need to move off site to accommodate food or other requirements. Also crucial to guest retention as well as driving repeat visits is the organization's core commitment to guest service and satisfaction.

D) Increased merchandising

A key ingredient of "fun-filled memories" is mementoes of visits to us. These include products purchased or won at numerous facilities and venues on site. Related strategies include: creation of merchandise programs tied to new and existing attractions, and increased attention to operational parameters such as margins, inventory levels, and performance of individual profit centres.

E) Maximize the number of event days booked in existing facilities

Maximizing the utilization of existing facilities will increase per capita income while covering increased variable costs associated with higher usage. The range of market development opportunities is substantial e.g. trade and consumer shows, conventions, concerts, meetings, seminars, rallies, banquets, film studio and commercial shoots, agricultural shows and sporting events. Related strategies include attracting more anchor tenants, increased marketing approaches to niche clients and offering more services to potential partners and clients.

FINANCIAL PROJECTIONS

The following key financial goals are identified for fiscal years 2001 through 2002, the end of the current PNE mandate. These estimations incorporate business as usual objectives, goals and strategies required by the Pacific National Exhibition to meet projected business plans at the Hastings Park site.

$ in Thousands		2001	2002
Revenue		**33,898**	**34,203**
Expenses			
Direct		19,947	20,107
Maintenance		4,735	4,830
Administration		7,054	7,110
Income from Operations		2,162	2,156
Operating Margin		6.38%	6.30%
Depreciation		1,641	1,641
Interest		513	513
Net Income		8	2

Financial projections and related goals will assist the Pacific National Exhibition to achieve self-sufficiency gross revenues despite the challenges of "shrinking footprint", "aging infrastructure", "public uncertainty" and "growing competition". At the same time, additional tests including the negotiation of new Collective Agreements and inflation will further challenge the Corporation. If financial erosion occurs, it may be necessary to seek subsidization from the Province of British Columbia. In addition please note that weather is a huge factor in revenue streams for both Playland and the Fair.

SUMMARY

The Pacific National Exhibition is a provincial Crown Corporation dedicated to providing facilities, events and the opportunity for family fun to all its guests. Founded in 1907 as the Vancouver Exhibition Association, the first annual Pacific National Exhibition summer Fair was held in 1910, thus beginning a long and rich tradition as British Columbia's premier entertainment and cultural facility. A true British Columbian tradition, the ninety-year old Fair has attracted more than 60 million visitors since it began.

Over the past number of years, to address financial requirements and to maximize related opportunities associated with operating a Fair, the Pacific National Exhibition has become much more than the Fair. Its two other major business units include Playland, and Facility Sales and Events.

The combined matrix of programs, attractions and facilities has evolved into a multi-faceted family entertainment business that annually generates $30,000,000 in revenue, employs 4,000 people (of whom 2,600 are youth), accounts for approximately $150 million in direct and indirect economic spin-off, and requires no annual funding from provincial or municipal tax revenue.

Events over the past decade (commercial viability, shrinking footprint, aging infrastructure, public uncertainty and competition growth) preclude the Pacific National Exhibition from continuing on in the same location and direction during the next hundred years of its existence. The status quo is not an option unless the public is prepared to have government subsidize existing operations and capital development through tax dollars.

The vision of the new Pacific National Exhibition involves continuing to build on its current business streams while evolving into a new year round mix of venues, which includes a regional amusement park, the Fair, and a new trade and consumer show facility. Its new mission is to enhance the tradition of providing fun filled memories for every guest by developing a world-class entertainment themed amusement destination.

To achieve its vision and mission over the next three years, it will build on its existing strengths and concentrate energy and resources towards three strategic objectives: a) acquiring support for the new vision, b) implementing a complex development plan and c) maximizing current business mix outcomes at Hastings Park.

The performance plan is a dynamic document and will be updated each year through an annual planning process. The next rendition will reflect progress over the past year and identify required strategies to address the dual foci of maximizing profitability given the current business mix while developing a fun filled, year round, world class entertainment themed amusement destination.